

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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March 7, 2003

Mr. Dennis Lofe, Chief Executive Officer
Wilson Group, Inc.
116 Cashua Drive
Darlington, South Carolina 29532

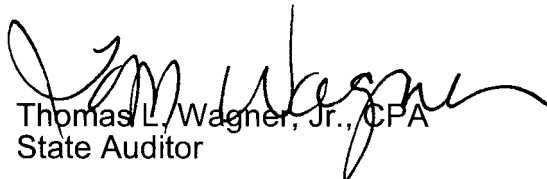
Re: AC# 3-OKH-J9 – Oakhaven, Inc.

Dear Mr. Lofe:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract periods beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

OAKHAVEN, INC.
DARLINGTON, SOUTH CAROLINA

CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-OKH-J9

AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 28, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Oakhaven, Inc., for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Oakhaven, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Oakhaven, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Oakhaven, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 28, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

OAKHAVEN, INC.
Computation of Rate Change
For the Contract Periods
Beginning October 1, 2000
AC# 3-OKH-J9

	10/01/00- <u>09/30/01</u>
Interim Reimbursement Rate (1)	\$92.35
Adjusted Reimbursement Rate	<u>90.29</u>
Decrease in Reimbursement Rate	\$ <u><u>2.06</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

OAKHAVEN, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-OKH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$41.61	\$53.99	
Dietary		10.37	10.56	
Laundry/Housekeeping/Maintenance		<u>8.69</u>	<u>9.12</u>	
Subtotal	<u>\$5.16</u>	60.67	73.67	\$60.67
Administration & Medical Records	<u>\$3.20</u>	<u>8.00</u>	<u>11.20</u>	<u>8.00</u>
Subtotal		68.67	<u>\$84.87</u>	68.67
<u>Costs Not Subject to Standards:</u>				
Utilities		2.00		2.00
Special Services		-		-
Medical Supplies & Oxygen		3.80		3.80
Taxes and Insurance		1.36		1.36
Legal Fees		<u>.12</u>		<u>.12</u>
TOTAL		<u>\$75.95</u>		75.95
Inflation Factor (3.20%)				2.43
Cost of Capital				7.42
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.66
Cost Incentive				5.16
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.07)
Nurse Aide Staffing Add-On 10/01/00				2.10
Nurse Aide Staffing Add-on 10/01/99				<u>.64</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$90.29</u>

OAKHAVEN, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-OKH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Adjustments</u>		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,323,607	\$2,821 (6)	\$ 199 (4)	\$1,326,229
Dietary	312,992	11,797 (2) 5,767 (8)	-	330,556
Laundry	47,788	-	-	47,788
Housekeeping	136,862	80 (5) 1,190 (8)	-	138,132
Maintenance	114,125	-	21,461 (5) 1,765 (8)	90,899
Administration & Medical Records	266,951	50 (5)	5,431 (5) 6,470 (8)	255,100
Utilities	62,927	167 (5) 583 (8)	-	63,677
Special Services	-	-	-	-
Medical Supplies & Oxygen	169,656	-	18,724 (2) 29,944 (3)	120,988
Taxes and Insurance	43,089	331 (5) 31 (8)	-	43,451
Legal Fees	589	2,342 (1) 761 (5) 260 (8)	-	3,952

OAKHAVEN, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-OKH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Cost of Capital	242,453	1,650 (9)	1,167 (5) 1,750 (6) 4,773 (7) 8 (8)	236,405
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	2,721,039	27,830	91,692	2,657,177
Ancillary	22,387	-	-	22,387
Non-Allowable	(210,132)	6,927 (2) 29,944 (3) 199 (4) 26,670 (5) 412 (8)	2,342 (1) 1,071 (6) 1,650 (9)	(151,043)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$2,533,294</u>	<u>\$91,982</u>	<u>\$96,755</u>	<u>\$2,528,521</u>
Total Patient Days	<u>31,872</u>	<u>-</u>	<u>-</u>	<u>31,872</u>
Total Beds	<u>88</u>			

OAKHAVEN, INC.
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKH-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Legal Nonallowable	\$ 2,342	\$ 2,342
	To include allowable legal fees HIM-15-1, Section 2300 State Plan, Attachment 4.19D		
2	Nonallowable Dietary` Medical Supplies	6,927 11,797	18,724
	To reclassify tube feeding cost HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable Medical Supplies	29,944	29,944
	To disallow expenses not adequately documented HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable Restorative	199	199
	To disallow expense not adequately documented HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Nonallowable Housekeeping Legal Medical Records Utilities Taxes and Insurance Maintenance Administration Cost of Capital	26,670 80 761 50 167 331	21,461 5,431 1,167
	To adjust home office allocation HIM-15-1, Section 2150 State Plan, Attachment 4.19D		

OAKHAVEN, INC.
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-OKH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Restorative	2,821	
	Cost of Capital		1,750
	Nonallowable		1,071
	To properly record loss on disposal HIM-15-1, Section 130 State Plan, Attachment 4.19D		
7	Accumulated Depreciation	19,788	
	Other Equity		12,314
	Cost of Capital		4,773
	Fixed Assets		2,701
	To adjust fixed assets and related depreciation HIM-15-1, Section 2300 State Plan, Attachment 4.19D		
8	Taxes and Insurance	31	
	Legal	260	
	Utilities	583	
	Housekeeping	1,190	
	Dietary	5,767	
	Nonallowable	412	
	Cost of Capital		8
	Administration		6,470
	Maintenance		1,765
	To adjust shared dietary costs from Medford Place HIM-15-1, Section 2150 State Plan, Attachment 4.19D		
9	Cost of Capital	1,650	
	Nonallowable		1,650
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$111,770</u>	<u>\$111,770</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

OAKHAVEN, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-OKH-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>88</u>
Deemed Asset Value	3,182,520
Improvements Since 1981	636,311
Accumulated Depreciation at 09/30/99	<u>(1,254,397)</u>
Deemed Depreciated Value	2,564,434
Market Rate of Return	<u>.060</u>
Total Annual Return	153,866
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	153,866
Depreciation Expense	82,539
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	236,405
Total Patient Days (Minimum 96% Occupancy)	<u>31,872</u>
Cost of Capital Per Diem	\$ <u><u>7.42</u></u>

OAKHAVEN, INC.

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-OKH-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$3.97
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.96</u>
Reimbursable Cost of Capital Per Diem	\$7.42
Cost of Capital Per Diem	<u>7.42</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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